U. S. SENATE
Republican Policy Committee
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Taxpayers Work 8 a.m. to Noon to Support the "Village"

A Choice for the Voters: More Taxes or Less

Six Senators spoke on the Senate floor recently to share with Americans their reasons for supporting meaningful tax relief. Points made by the Senators include:

- An average two-working-parent family of four making $40,000-$45,000 a year now pays more than half of the family's total wages to support Government. Most of this amount (38 percent) is a direct payment in the form of federal, state and local taxes, and the rest is the hidden cost from government regulations. Both mother and father work nine to noon to pay taxes, then work an additional hour to fulfill their obligation to Government. After that, they work to take care of their own needs.

- Voters want distinctions between party positions. This one, provided by speakers at the two major party's conventions in August, is stark: One party — the President's — wants more resources to support the "village" (i.e., Government); the other party wants more resources freed up to support the family. The party of Senator Dole wants to provide this through an across-the-board 15-percent tax cut, a $500 per child tax credit, and repeal of the 1993 Social Security tax increase imposed on seniors by a Congress controlled by President Clinton's party.

- When Senator Dole announced his plan to cut taxes, his opponents asked, "But, can we afford it?" The question taxpayers are asking is, "Can we afford not to?" Something's wrong when the average family spends more for Government than it spends for food, housing, medical care and clothing combined.

- Economic history shows we "can afford" to enact significant tax cuts without devastating deficit-reduction efforts. We did it in the 1960s under President Kennedy and again in the 1980s under President Reagan. When the economy grows, government revenues grow, too. It's that simple.

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[Senators' remarks from the Sept. 6, 1996, edition of the *Congressional Record* can be found beginning on the following pages: Sen. Coverdell (R-GA): S-10005; Sen. Bennett (R-UT): S-10006; Sen. Inhofe (R-OK): S-10007; Sen. Kyl (R-AZ): S-10007; Sen. Frist (R-TN): S-10009; and Sen. Abraham (R-MI): S10010.]

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Senate

TAX RELIEF

Mr. COVERDELL. Mr. President, as we have heard, there is a great national debate in the making with regard to the anxiety in the American workplace, anxiety particularly among middle-class working Americans. I have often talked about a snapshot of an average family in Georgia that makes about $40,000 to $45,000 a year. Several months ago, when I took the snapshot of that family—a family of four, with both parents now working, with two children—we added up the Government obligations that that family had to pay, the total cost of Government. At the end of the day, they had 48.2 percent of their gross wages left.

I can think of no institution, including Hollywood, that has had a more profound effect on the behavior of middle-class America than their own Government. This morning, I have just been given data that show that now they only have 47 percent. Just in the last 12 months, they continue to lose the power of the wages and the independence of what those wages mean to that family.

stimulus than even the cut in the capital gains tax rate. I am not sure how that all works out. Frankly, neither are they. Because the one thing we have to recognize is that we are dealing with a $7 trillion economy, and the size of the $500 per child tax credit in terms of the impact on the economy as a whole is less than 1 percent. That is true, Mr. President. If you take the size of the economy as a whole and add it up for the next 6 years—because 2002 is our target date—you are talking about roughly $50 trillion worth of economic activity in that 6-year period. The size of the $500 per child tax credit is less than $500 billion over that same 6-year period, considerably less. So it is less than 1 percent.

Mr. President, I ask unanimous consent that I proceed for an additional 2 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BENNETT. Mr. President, we are talking about a tax credit that is less than 1 percent of the entire economy. But look at what it means to the families with children. Look at what it means to those who will make the decisions themselves—that instead of all the benefits like the Army used to give me in uniforms, barracks, and mess hall privileges, I say, "Thanks. Just give me the cash and let me decide where I am going to live, what I am going to wear, and what I am going to eat." I will make wiser decisions, and the impact on the economy will be better.

So this is where it ultimately comes down to, Mr. President. Again, the question: Who is "we" when we say we can't afford a cut in tax rates? The "we" is the American people, and I believe the American people left to handle the cash rather than the so-called "benefits" can make a wiser use of that money than the Government can.

I am glad my experience with the Army is over. It was a good experience. But I prefer the freedom I have to have the money and make my own choices, and I think most Americans feel the same way.

I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arizona.

Mr. COVERDELL. Mr. President, I yield 5 minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. INHOFE. I changed my 3 to 5, Mr. President, after listening to the distinguished Senator from Utah. I shared the same experiences in the Army, and I know exactly where he is coming from.

Mr. President, when he stated that Jefferson would have been stunned if he would have known what we have here today, some who were around back then would not have been so stunned. It was de Tocqueville who made the observation after writing the book about the great wealth of this country and what made it so wealthy. He said that once the people find that they can vote money out of the public treasury, the system will fail. And I think we are getting dangerously close to that.

As I watched the Chicago convention and all of this emphasis on the family, I was thinking, "How in the world could any administration with such a dismal failure in their treatment of family values be talking about the family?" Maybe that is the whole reason they are doing it.

I think if you go back and look, Mr. President, at the tax increase that took place in 1993, it was characterized by then chairman of the Senate Finance Committee, Senator MOYNIHAN, the distinguished Senator from New York, as the "largest single tax increase" in the history of public finance, or any place in the world. That is exactly what happened.

What was the nature of that tax increase? It was a tax increase on the American family. It was a gasoline tax increase. That is not just for fat cats. That is for everyone who drives a car, drives a truck, or drives a tractor. It was a tax increase on small business and on individuals, and even retroactive—going back and saying, "It is not enough that we go ahead and tax you from this point forward, but let us go back to January." I think that is the first time in history that has been done. It was a 70-percent tax increase on the Social Security recipients who cared enough to prepare for some of their senior years so they would have as much as $22,000 of income. It was an increase in estate taxes. And what is interesting about this is we passed a bill, several provisions that would have been geared just to the family, the $500 per child tax credit, the capital gains tax reduction, repealing some of our laws that penalize people who get married, who if you stay married—actually right now under the law on the books two individuals who are happily married, if they will get a divorce, can increase their take-home pay by reducing taxes. Is that what Government is supposed to do?

Anyway, I enjoyed the statement by Senator Dole when he talked about doing something about the overtaxation. And if you will analyze what he was suggesting in repealing that Social Security tax increase, the $500 per child tax credit, the reduction of taxes by 15 percent, the reduction of capital gains taxes and the repealing of the estate tax, all he is saying there is let us go back and see what happened in 1993 and let us repeal a portion of that tax increase.

So I would suggest that anyone today who was not supportive back in 1993 of the tax increase should be supporting what Senator Dole is proposing to do now.

The Senator from Utah mentioned we cannot afford it. I would like to make one comment. I heard the distinguished Senator from Arizona quote John Kennedy several times on the fact that back when he was President, he said we have got to increase revenues and the only way to increase revenues is to reduce the tax rates. He reduced the tax rates and that did increase revenue.

So I suggest to the Senator from Utah that we can afford to do this. We can effectively increase our revenues by reducing taxes. The formula works out that for each 1-percent growth in economic activity it increases revenues by $24 billion.

However, we do not have the same kind of Democrat in the White House today that we had when we had John Kennedy. It was Laura Tyson who said there is no relationship between the level of taxes a nation pays and its economic performance. And if you have that philosophy, then you can say, yes, we cannot afford it.

Indeed, history has shown us in three decades in the last 100 years, the twenties, the sixties, and the eighties, when we had dramatic reductions in tax rates, each time we increased our revenues. So I think it is a question now of are we really concerned about the family, are we really concerned about doing something about the lessons of those times? I think the time is here, and we have a Congress that is willing to do it.

I applaud the Senator from Georgia for bringing up this subject to discuss today.

Mr. COVERDELL. Mr. President, I appreciate very much the remarks of the Senator from Oklahoma—as always on this subject precise and on target, and I am glad he was able to be with us this afternoon.

The Senator from Arizona is here and would need up to 5 minutes. So I extend 5 minutes to the Senator from Arizona.

Mr. KYL. I thank the Senator.

Mr. President, during the last few weeks, as the Presidential election campaign has gotten underway, the American people have heard a great deal about two very different tax plans for the country.

One of the plans proposed by President Clinton involves token relief if—and I stress if—people spend their money in ways that the Government deems most appropriate. The other plan represents the most ambitious, progrowth economic program since the beginning of the Reagan administration, a program that puts faith in the American people to spend their money in ways that are best for themselves and their families and their communities.

Mr. President, the ambitious program that I am talking about is the one that Bob Dole has made the centerpiece of his campaign. It is a plan that would cut income tax rates across the board by 15 percent, a plan that would provide families with an additional $500 per child tax credit, and an opportunity to save in new education investment accounts for college education. It would repeal the President's 1993 tax

tax burden has been made so high that you have to have both spouses and in some cases their children in the workplace, and in some cases not only do both spouses now work, but, indeed, they have to have two and three jobs each—Are we surprised that the behavior of that family has been modified? That the children are left without the kind of attention those parents would like to give? That they are not there to be the guide and beacon for those kids? They call that latchkey children. Of course they are latchkey children. The Government policy from Washington has increased the burden, increased the burden. We have pushed both spouses into the workplace. We have now got them to where they have to have two and three jobs. We have created stress. It is no wonder there is so much anxiety in middle-class America.

I am reading from another periodical: "Work and family integration."

> It is increasingly common for all adult family members to spend a greater number of hours at work in order to make up for declining median family incomes. Married women with children have entered the labor force in record numbers. They, therefore [it doesn't take a rocket scientist]—they, therefore, have less time for care-giving in the home. Many parents, both mothers and fathers, feel conflicted and torn between spending time with their families and meeting workplace demands. "It's like you are caught between a rock and a hard place, because if you want to have a family, you want to have a couple of children, and you cannot do that unless you have lots of money to support them."

That quoted a woman in her twenties in Salt Lake City.

So, Mr. President, Senator Dole has come forward. There is a lot of talk about what each of these proposals means, but the bottom line is this: He is saying that Government, Washington in particular, has put too much financial pressure on these fragile families. It is creating havoc, and it ought to be a conscious, fundamental, sound policy to give them relief, to allow them to keep more of what they earn so that they can do what they are supposed to do in that home. And, yes, he is saying we think that the best caretaker of those children is their parents and the family in the comfort of the home, and, no, a village, a government is no replacement for that policy.

So he has stepped forward and said, "I intend, with a cooperative Congress, to effect lowering the economic burden on the average family."

Mr. President, I know that you, the Presiding Officer, would like to speak on this subject. So I am going to suggest the absence of a quorum so I might assume your duties so that you can speak on this subject and then replace me afterwards.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. FRIST. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. COVERDELL). Without objection, it is so ordered.

Mr. FRIST. Mr. President, I rise today to continue on the topic that was begun so admirably by yourself, the Senator from Arizona and the Senator from Oklahoma on the benefits of significant tax relief for all Americans, for individuals, for their families, for their children, for the next generation.

Whenever we seem to debate tax policy in this body, we seem to begin with different premises, and I think we really must focus over the next year on a principle which I feel should govern our decisionmaking. That is, that there is no such thing as "Government money." Money today through taxes comes from individuals, hard-working individuals. It comes from a person, it comes from a family, it comes from a business, and it comes to Washington, DC, and not the other way around.

For far too long, the Federal Government has treated the income of American people as its own money. This practice absolutely must stop.

I want to refer, as I develop this principle over the next few minutes, to a recent editorial by Washington Post columnist James Glassman. The editorial is entitled "It's Your Money." I will alter it a little bit and say "It's the People's Money," because that is the underlying principle I think we must come back to as we discuss tax and tax policy.

In that editorial, Mr. Glassman pointed out that there are two schools of thought on tax policy. Under the first one, using the words of Mr. Glassman:

> We use an old-fashioned business model to think about taxes. Taxes are revenues, like sales. The objective for the Government is to match up those revenues with its expenses so that it doesn't lose money. Under that model—

According to Mr. Glassman—

> the Government dispenses tax cuts as a gift from Washington.

But I do not think the American people view their tax dollars in this fashion. They tell you that. All of us travel around our respective States and around the country, and they tell you they don't view their tax dollars that way, so we need to stop viewing them that way in Washington, DC.

Mr. Glassman described it in the editorial in the following way. He said the average American, and I begin to quote him, "views taxes not merely as bloodless revenues but as the real, hard-won earnings of individual Americans."

He says:

> Tax dollars begin life as personal dollars. They're yours, not Washington's.

He goes on to say:

> You do agree through the political process to turn over some of your income, but that deal is transitory and renewable and it depends on Washington providing good value for your money.

Mr. Glassman's words, "good value for your money."

I don't think we in this body can express this principle enough. It is the taxpayers' money. When we Senators meet with our constituents in our home States, we have to remember it is their money. That is where it originated. And every time we pass a spending bill on the floor of the U.S. Senate, we must be able to go home and look our constituents in the eyes and say, "Here is how we spent your money."

I brought two charts with me, again, to illustrate how taxes have taken a bigger and bigger bite out of the family budget. So many people think so often in the short term and they say, "Well, taxes are high now, yes, but they have always been that way. There really hasn't been much change, and there's not much we can do about it."

Our responses have to be the facts. We do not have to look that long ago when people were paying out of their family budget as much as they are paying in taxes today. We have to look back.

This is taxes out of a typical family budget. This is not an aggregate figure of billions of dollars, this is a family budget, something each of us can touch, feel, experience.

The pie on the left shows in 1955 the family budget, this circle being 100 percent. Total taxes were 27.7 percent in 1955.

If we look in 1995, we see that total taxes are 38.2 percent. All other parts of the family budget are shrinking as the red part of the pie has gotten bigger and bigger over time, just over a 40-year period.

You can also look at this at how many hours you work during the day. If you say this is an 8-hour day that likely you and your spouse are working, look, 3 hours out of that 8 hours is spent working for Government today.

Going back to Mr. Glassman's words, we need better value for your money.

On the second chart, we see a typical family budget, how that budget of that working family with two children breaks down. This is the overall family budget, and, once again, in red, we see total taxes. I just said that 38.2 percent of that typical family budget goes to paying taxes. Where does the rest of it go?

Just very quickly. House and households, about 15 percent in yellow. In the blue, medical care about 10 percent. Food, 6 percent. Transportation, 6 percent. Clothing, 4 percent. And everything else about 17 percent. This might be education for your children, might be savings, might be investment for your retirement.

But look, compare what we pay in taxes to medical care, food, transportation, and clothing, and we can see that what you pay in taxes far surpasses the 27 percent total of medical care, food, transportation, and clothing today.

Most Americans do not think of it in that concrete of terms. It is time we take broadly across this country this process of educating people, to look at what you do when you increase that red, which has been done, as we saw, by

The crunch has created a very interesting set of changes. It has meant that where in the past one person was working was enough for the family to stay ahead of the game, today, often it is two people working at more than one job. At least in the case of the people of my State of Michigan the solution, it seems to me, is quite clear. Unless we are going to get to the point where families working two jobs and two breadwinners working two jobs is inadequate to allow working families to keep up, we have to give them some relief. The one way the Federal Government can provide that relief is by reducing the tax burden that these families face.

Mr. President, I do not have the time today nor do I intend today to go into a variety of ways by which we can ease that burden. But I think the kinds of plans that have been put forth by Bob Dole and Jack Kemp, calling for across-the-board tax relief, combining that with a $500-per-child tax credit is a step in the right direction. I think that is what the families of Michigan, the families of America can benefit from.

I add, Mr. President, in closing, in our State of Michigan we reduced taxes 21 times in the last 5 years. That has produced record levels of employment and it has not caused a budget deficit. We have balanced the budget and created a surplus at the same time. We need to give families that relief. I look forward to working within the Senate to accomplish that. I yield the floor.